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SUBJECT: VIETNAM'S MURKY REMITTANCE PICTURE

REF: A) Hanoi 885 B) HCMC 428

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1. Summary: Remittances through the banking system to Vietnam in 2004 amounted to USD 3.0 billion according to the State Bank. The IMF representative estimates that this was really USD 3.2 billion and that another USD 3 to 4 billion is flowing in through unofficial channels. These informal inflows include funds sent back by Vietnamese working and living abroad. The IMF representative believes that money laundering may also account for part of these remittances. End Summary.

2. (SBU) According to the Deputy Director the International Cooperation Office of the State Bank of Vietnam, remittances totaled USD 3 billion in 2004. This figure measures all remittances received through the banking system. He was not willing to provide an estimate for remittances through informal channels. Remittance refers to any flow of cash (i.e., unrequited transfer) into Vietnam, regardless of whether it was from a Vietnamese worker abroad or another source such as family, he noted. Another State Bank official from the foreign exchange office noted that the Government encourages people overseas to send money back to Vietnam. No taxes or restrictions are placed on those funds so theoretically all funds should be official. In practice, some investments might be "unofficial," he added.

3. (SBU) According to IMF representative Susan Adams, the official channel handled USD 3.2 billion in remittances in 2004. Adams told ECON/C that she estimates unofficial remittances were an additional USD 3 and 4 billion for 2004. Adams cautioned that this figure was a rough estimate based on an analysis of the errors and omissions line of Vietnam's balance of payments. She also noted that data provided by SBV were not complete. She estimates the total remittances through all channels for 2004 were USD 6 to 7 billion.

4. (SBU) Since it is impossible to measure these remittances or to track them accurately, opinions differ as to their sources. Vietnamese working or living abroad contribute to but appear not to account for all of these remittances. The Ministry of Labor, Invalids and Social Affairs estimates that 400,000 unskilled or semi-skilled Vietnamese are working temporarily abroad, primarily in Korea, Japan, Malaysia and Taiwan. Their monthly wage rates range from USD 150 to 200 in Malaysia to a high of USD 700 to 800 in Korea and in Japan. While the workers likely send home as much as they can, their share of remittances is likely no more than several hundred million dollars. No doubt Vietnamese living permanently abroad in the United States, Europe, Canada and Australia are a key source of remittances, but their share of the total is not clear. Some portion of remittances seems likely to be laundering of criminal proceeds from abroad and some may be illicit funds from Vietnam, recycled and laundered as remittances.

5. (SBU) Given the lack of controls or monitoring of currency inflows into Vietnam, the IMF representative believes that there is the potential for significant money laundering in Vietnam. She believes that a major Ukrainian investment in Nha Trang, the Sofitel Vin Pearl Resort, and the Vin Com shopping center in Hanoi owned by Vietnamese in the former Soviet Union may have been funded with unofficial remittances. While MPI lists the hotel as a Vietnamese investment, another hotel manager in Nha Trang told ECON/C that a party of Ukrainians whom he described as the "investors" stayed at his hotel at the time of the Vin Pearl opening.

6. (SBU) A number of experts believe that speculation is fueling the hot real estate market in Hanoi and Ho Chi Minh City. (reftels) While it is hard to identify the sources of investment in real estate, it is easy to see the potential for money laundering in this largely cash-based economy.

7. (SBU) Comment: Remittances are clearly an important

source of capital for Vietnam's economy that will continue to help drive economic growth. However, with unofficial inflows at such high levels, it is imperative for the government of Vietnam to establish an effective legal framework to deal with anti-money laundering and counter terrorist finance. End Comment.

MARINE